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**MANAGEMENT OF PERSONAL FUNDS**  
**Program Clarification (BHS-002)**  
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**ISSUE**

This Program Clarification addresses a concern expressed by some facilities that they cannot deposit a resident's funds of small amounts, \$50 - 60, in an interest bearing account.

**DECISION/POLICY**

The federal requirement, 42 CFR 483.10(c)(2), [F 159] relative to this issue states that "upon written authorization of a resident, the facility must hold, safeguard, manage, and account for the personal funds of the resident deposited in the facility..." Section 483.10(3 - 8) further states that "the facility must deposit any resident's personal funds in excess of \$50 in an interest bearing account (or accounts) that is separate from any of the facility's operating accounts, and that credits all interest earned on a resident's funds to that account." (In pooled accounts, there must be a separate accounting for each resident's share.)

The intent of the rule found in Section 483.10(c)(2) is clearly described in the *State Operations Manual*, Transmittal 10, Appendix P, Guidance to Surveyors. "Hold, safeguard, manage and account for 'means that the facility must act as fiduciary of the resident's funds and report at least quarterly on the status of these funds in a clear and understandable manner'." The word fiduciary is defined by Webster's New World Dictionary, Third College Edition, to mean "the designating or (naming) of a person who holds something in trust for another." The resident's account must be managed by the facility when there is a written authorization from the resident.

Section 483.10 (c) (3) states that the facility must deposit any resident's funds that exceed \$50 in an interest bearing account or pooled accounts. "Interest bearing" as defined in the interpretative guidelines of the State Operations Manual, Transmittal 10, means a "rate of return equal to or above the passbook savings rate at local banking institutions in the area." This requirement allows the facility to deposit a resident's funds of \$50 or more in an interest bearing account. It also allows for resident's funds to be consolidated or pooled in an interest bearing account provided that the account is separate from any of the facility's operating accounts and a record is kept for each individual's account showing that interest is prorated at least quarterly. However, in circumstances wherein the individual chooses to have an individual account that does not pay interest, surveyors will not cite the facility under the requirement 42 CFR 483.10, F 159 if (1) the facility has made a diligent search (two different banks nearest the facility or within a county) and been informed that the bank policy does not provide for payment of interest on nominal amounts, and (2) a copy of the bank policy is kept on file, and (3) the resident or resident's guardian is informed the account is non interest bearing. The intent of this regulation is to protect the resident's right to access any personal funds that the resident has authorized the facility in writing to manage.